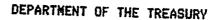
INTERNAL REVENUE SERVICE DISTRICT DIRECTOR C - 1130 ATLANTA: GA 30301



Ouality Review Staff Stop 516-D, Room 1502 P.O. Box 1055 Atlanta, Ga 30370



Person to Contact:
Telephone Number:
Employer ID Number:
Date: APR 26 1993

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1986.

The information submitted shows that you were incorporated vote for the acquisition, constructions, annexation, management, maintenance and care of that certain real property identified as

Your activities consist of establishing and collecting membership assessments, reviewing plans for new houses and property improvement plans, enforcing covenants and restrictions, mediating and adjudiating differences between homeowners/members; and providing maintenance, landscaping and utilities of common areas. Membership is a requirement of all property owners of subdivision. The subdivision consist of developments with a total of homes of which are currently occupied. It does not represent a governmental unit or tax district.

Section 501(c)(4) of the Code provides for the exemption of civic leagues or organizations not organized for profit and operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

Revenue Ruling 74-99: 1974-1: C.B. 131 provides that for a homeowner's association to qualify for exemption under Section 501(c)(4) of the Code it must: 1) serve a community bearing a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof: 2) not conduct activities directed to the exterior maintenance of private residences: and 3) make common areas or

facilities available for the use and enjoyment of the general public.

Revenue Ruling 73-306, 1973-2, C.B. 185, held that a non-profit organization that promotes the private benefit of its members was not primarily engaged in activities for the common good and general welfare of the people of the community.

Although there are some social welfare or charitable activities carried on by your organization i.e., sponsoring children activities for Halloneen. Easter and Christmas, it appears that you are primarily operated to provide services to members/homeowners of a small residential area in similar to the organization described in Rev. Rul. 73-306, supra.

Your organization can be distinguished from the non-profit organization described in Rev. Rul 73-306, 1973-2/C.B. 185. In Rev. Rul. 73-306 an organization that carried on activities in the general area of promoting the common interest of tenants who resided in an apartment complex by representing its members/tenants in negotiations with the management of the complex in order to secure better maintenance and services and to secure reasonable rentals.

Since membership is limited to residents/property owners of the subdivision, the organization has a provision to enforce restrictive covenants, and you do not meet the definition of a governmental unit; you are organized and operated for the individual business or personal benefit of your individual members. Therefore, you do not qualify for exempt status under section 501(c)(4) of the Code or under any related paragraph of the section 501(c).

Since your organization is not exempt you are required to file Federal income tax return on Form 1120 for the period ending December 31, 1992.

If you do not agree with our proposed denials we recommend that you request a conference with a member of the Regional Director of Appeals Staff. Your request for a conference should include a written appeal signed by an authorized officer giving the facts law and any other pertinent information to support your position as explained in the enclosed Publication 892. If you are to be represented by someone who is not one of your authorized officers he/she will need to file a power of attorney or tax information authorization and be qualified to practice before the Internal Revenue Service as provided in Treasury Department Circular NO. 230. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office.

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If we do not hear from you within 30 days, this letter will become our final determination.

Sincerly Yours.

District Director

Enclosure: Publication 892

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